

**Finance 613**  
**Macroeconomics and the Global Economic Environment**  
**Professor Andrew Abel**  
**Spring 2015**

**Course Description**

Finance 613 is a course in macroeconomic analysis and policy in the context of globally integrated economies. The course begins by introducing national income accounts for an open economy and then focuses on a classical analysis of labor markets, goods markets, and asset markets. This part of the course examines the determination of employment, output, prices, wages, interest rates, national saving, investment, and international flows of goods, services, and assets in the long run. Then the course shifts its focus to the study of business cycles. The analysis of business cycles begins with a description of the cyclical behavior of various economic variables. This cyclical behavior motivates the development of business cycle models and the application of these models to study monetary and fiscal policy. The analytic engine of this part of the course is the IS-LM model, which is applied in both a classical mode and a Keynesian mode. The course extends the classical and Keynesian IS-LM models to models of large open economies with flexible exchange rates to study the international transmission of business cycles. The course concludes by analyzing the conduct of monetary and fiscal policy in a rich institutional framework.

**Lectures**

Each lecture is one hour and twenty minutes. Most lectures are divided into two parts. The first hour is devoted to discussion of core analytic material, and the final twenty minutes are devoted to a current policy topic.

**Canvas**

The Canvas site for this course contains the syllabus, lecture notes, problem sets and answers, old exams, regrade request forms, TA office hours, and other useful links.

**Reading Materials**

The textbook for this course is Macroeconomics (eighth edition) by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Addison-Wesley Publishing Co., 2014. The textbook will be available to you in two alternative formats that are substantially less expensive than a traditional bound book. (format 1): The e-text version, which is directly available from Pearson at <http://www.pearsonmylabandmastering.com/northamerica/>. This format of the book also includes MyEconLab. To register for MyEconLab for this course, which provides access to the e-text version of the textbook, you will need the following course ID: **abel74378**. (format 2): Student Value Edition (SVE) is a loose-leaf version of the book. It will be available at the bookstore.

There is an optional bulkpack for the course that is available from Study.Net. The bulkpack contains the lecture notes for the core analytic material. It is optional because these notes are also available from Canvas.

Handouts for current policy topics will be distributed in class each day and will be made available on Canvas as the term progresses. You will be charged for these handouts via the bursar-billed handout fee from Reprographics.

### **Optional Problem Sets**

Canvas contains suggested problems and answers arranged by textbook chapter. Most of the questions are taken directly from the textbook. In addition, for most chapters Canvas contains one or two questions that are not in the textbook. Unlike the Quizzes/Graded Homeworks discussed below, the problem sets are optional and will NOT be collected and graded.

**GRADED MATERIALS: Your course grade will be based on your performance on the midterm and final exams, the Macro Policy Simulation, and Quizzes/Graded Homeworks.**

### **Exams**

There will be one midterm exam and a final exam. The exams will be **closed-book and closed-note**. You may bring a single double-sided “cheat sheet” (no larger than 8.5” x 11”) to the midterm exam, and you may bring two double-sided “cheat sheets” (again no larger than 8.5” x 11”) to the final exam. The final exam will be **cumulative over the material from the entire course**.

### **Schedule of Exams**

The midterm exam will be 90 minutes in length and will be administered on Monday, March 2, 2015 at 6pm.

The final exam will be two hours in length and will be given during the final exam period as scheduled by the registrar. The tentative time of this exam is Wednesday, May 6, 2015, 6pm – 8pm.

Students should take note of the following paragraphs from the Academic Policies section of the *MBA Resource Guide* (<http://www.wharton.upenn.edu/mbaresource/misc/academic-policies.cfm>), specifically the section on Examination Policies:

“If you have documentable special circumstances such as time conflicts between multiple exams, illness, or grave personal difficulties such as a death in the family, you should petition the MBA Program Office, which will work with the faculty in appropriate cases to find a resolution. The MBA Program Office will require documentation of your conflict as a matter of course. See the University website (Pennbook) for policies covering absences resulting from religious observances. You should never approach your instructors with requests to reschedule exams or to make special accommodations. [underline added]

If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. Employers cannot require a student, as a condition of his or her employment candidacy, to participate in recruiting-related activities at a time that conflicts with his or her academic schedule. An employer’s inflexibility on this issue is considered a violation of Wharton’s recruiting policies. **A time conflict due to a job interview, a career pursuit or travel is not an appropriate reason to request accommodation on an academic commitment.**”

### Regrading of Exams

Any requests for regrading of exams must be submitted in writing **within one week** from the date that exams are returned in class, and must be accompanied by the Regrade Request form and Statement of Honesty in Regrade Request form, which are available on Canvas. The one-week period for submission of exams for regrading begins on the date that the exams are returned in class, not on the date that you pick up the exam, if for some reason you are absent from class the day the exams are returned. If you miss the class during which the exams are returned, it is **your responsibility** to pick up your graded exam within the one-week period. Requests for regrading must be very specific. Do not mark or make notes on your exam, and do not alter in any way the answers to the questions. **Such alterations will be construed as violations of the Code of Academic Integrity and may be referred for disciplinary action.** When you request a regrade, I retain the right to regrade your entire exam. Please be aware that your exam score may fall as a result of regrading, if I determine that you received too many points for the question(s) you identify, or for other questions on the exam.

### Macro Policy Simulation

On Tuesday, April 21, 2015 we will have a Macro Policy Simulation. The Macro Policy Simulation will be conducted as a tournament. Winning teams will receive bonus points on the final exam and will be asked to discuss their decisionmaking process.

### Quizzes/Graded Homeworks

Quizzes/Graded Homeworks are on Canvas under the “Quizzes” tab on the left. Because they are graded exercises, you must work on these quizzes/graded homeworks alone. When you take these quizzes, you can use any written material from the course and you can use a calculator or computer, **but you cannot communicate in any way with any of your classmates or any other person.** The due dates for quizzes/graded homeworks are shown below:

Quiz/Graded Homework		Due Date:
Number	Title	9:00am on Date Below
#1	National Income Accounts	Thursday, Jan. 22
#2	Production, Employment, Unemployment	Tuesday, Feb. 10
#3	Consumption and Saving	Tuesday, Feb. 17
#4	Investment and Goods Market Equilibrium	Thursday, Feb. 19
#5	Open Economy – I	Thursday, Feb. 26
#6	Money and Asset Markets	Thursday, Mar. 26
#7	IS-LM	Thursday, Apr. 2
#8	Inflation and Unemployment	Thursday, Apr. 9
#9	Open Economy – II	Thursday, Apr. 16
#10	Monetary Policy and the Fed	Thursday, Apr. 23
#11	Government Spending and Its Financing	Thursday, Apr. 30

### **Course Grade**

The course grade has an exam component and a quizzes/graded homework component. The exam component of the grade, which is based on the midterm exam and the final exam, counts for 90% of the course grade. The quizzes/graded homework component of the grade counts for 10% of the grade.

The exam component of the grade will be calculated as follows: The midterm exam will count as one grade and the final exam (including bonus points from the Macro Policy Simulation) will count as two grades. The lowest grade among these three grades will be dropped. The policy of dropping the lowest exam grade provides insurance against having a bad day or against being unable to attend the midterm exam. Because this insurance is being provided to you, there will be **NO MAKE-UP EXAM FOR THE MIDTERM EXAM FOR ANY REASON**. If you miss the midterm exam for any reason whatsoever, then you can simply use your insurance policy to drop that exam; in that case, the exam component of your course grade will be based solely on the final exam.

The quizzes/graded homework component will be calculated as follows: The lowest quiz/graded homework grade will be dropped. The quiz/graded homework component will be based on the remaining quizzes/graded homeworks.

### **Office Hours**

My office hours are Wednesday, 1:30pm – 3:00pm. In addition, you may schedule appointments to talk with me at other times.

### **Contact Information**

Office location: Steinberg Hall/Dietrich Hall 2315

Phone: 215-898-4801

Email: [abel@wharton.upenn.edu](mailto:abel@wharton.upenn.edu)

1	Tues., Jan. 13	Introduction and Overview (Ch. 1) current policy topic: Macroeconomic Data Sources
2	Thurs., Jan. 15	National Income Accounting (Ch. 2) current policy topic: Interpreting GDP Releases
3	Tues., Jan. 20	Production and Employment (Ch. 3, Secs. 1, 2, 4) current policy topic: Minimum Wage
--	Thurs., Jan. 22	FOCUSED INTERVIEW PERIOD – NO CLASS
--	Tues., Jan. 27	FOCUSED INTERVIEW PERIOD – NO CLASS
--	Thurs., Jan. 29	FOCUSED INTERVIEW PERIOD – NO CLASS
4	Tues., Feb. 3	Labor Supply and Unemployment (Ch. 3, Secs. 3, 5, 6) current policy topic: Jobless Recoveries
5	Thurs., Feb. 5	Consumption and Saving: Basic Analytics (Ch. 4, pp. 103-111; App. 4.A pp. 149-157) current policy topic: The Future of Social Security
6	Tues., Feb. 10	Consumption and Saving: Using the Basic Analytics (Ch. 4, pp.111-120;App. 4.A, pp.157-163) current policy topic: Tax Incentives to Saving
7	Thurs., Feb. 12	Investment and Goods Market Equilibrium (Ch. 4, Secs. 2 - 3) current policy topic: Is There a New Industrial Revolution?
8	Tues., Feb. 17	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2) current policy topic: Outsourcing
9	Thurs., Feb. 19	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5) current policy topic: Current Account Balances in Mexico and Greece
10	Tues., Feb. 24	Asset Markets, Money, and Prices (Ch. 7) current policy topic: Indexed Bonds
11	Thurs., Feb. 26	In-Class Review Session for Midterm Exam
12	Mon., Mar. 2	<b>MIDTERM EXAM – 6 P.M. on Monday, March 2</b>
	Tues., Mar. 3	NO CLASS on Tuesday, March 3 (midterm exam previous evening)
--	Thurs., Mar. 5	Q3 CORE FINAL EXAMS – NO CLASS
--	Tues., Mar. 10	SPRING BREAK – NO CLASS
--	Thurs., Mar. 12	SPRING BREAK – NO CLASS
13	Tues., Mar. 17	Asset Returns and Prices: Term Structure and Tobin's $Q$ current policy topic: Bubbles
14	Thurs., Mar. 19	Business Cycles (Ch. 8)
15	Tues., Mar. 24	The IS-LM Model (Ch. 9, Secs. 1 - 5)
16	Thurs., Mar. 26	Classical and Keynesian Versions of the IS-LM Model (Ch. 10, Secs. 1 – 2; Ch. 11) current policy topic: Hyperinflations
17	Tues., Mar. 31	Aggregate Demand and Aggregate Supply (Ch. 9, Sec. 6; Ch. 10, Sec. 3) current policy topic: Forecasts of the Price Level
18	Thurs., Apr. 2	The Phillips Curve: Unemployment and Inflation (Ch. 12) current policy topic: Political Business Cycles
19	Tues., Apr. 7	Exchange Rates (Ch. 13, Secs. 1 - 2) current policy topic: Is the Chinese Yuan Undervalued ?
20	Thurs., Apr. 9	Macroeconomic Policy in the Open Economy (Ch. 13, Secs. 3 - 5) current policy topic: Monetary Policy in Argentina
21	Tues., Apr. 14	Monetary Policy and Institutions (Ch. 14, Secs. 1 - 2) current policy topic: Taylor Rule
22	Thurs., Apr. 16	Issues in Monetary Policy (Ch. 14, Sec. 3 and Ch. 15, Sec. 4) current policy topic: Inflation Targeting
23	Tues., Apr. 21	Macro Policy Simulation
24	Thurs., Apr. 23	Government Spending and Its Financing (Ch. 15, Secs. 1 -3) current policy topic: Outlook for the Federal Budget
		In-Class Review Session for Final Exam
	Wed., May 6	<b>FINAL EXAM 6 PM on Wednesday, May 6</b>

## Ethics Matrix

	Materials							People				
FNCE 613: Macroeconomics and the Global Economic Environment	Approved calculator	Laptop / other electronics	Summary sheet	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
MacroSim	A	A	A	A	A	A	A	W	W	W	W	W
Quizzes/Homeworks	A	A	A	A	A	A	A					
Exam Prep	A	A	A	A	A	A	A	W	W	W	W	W
Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
<p>The information above covers many common situations but will not cover every circumstance. Remember: The <a href="#">Wharton MBA Code of Ethics</a> that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others.</p> <p>Should you have questions, please contact your ethics liaison or professor.</p>												